CHAPTER 1

Introduction to Sport Finance

Chapter Objectives

- Examine your own financial circumstances more critically.
- Identify the basic elements of sport finance.
- Describe the scope of the current financial problems facing sporting goods retailers.
- Interpret how financial issues flow throughout a sport organization.

Personal Finance Basics

- **Do you know how much money you have in your bank account?**
- **If you were to need an additional $1,000 next week, how would you get the money?**
- **If you had an extra $1,000, what would you do with that money?**
- **Have you ever fallen for a financial scam?**

Keys to Financial Stability

- **Know your numbers. You need to have confidence that the numbers you are using to make decisions are accurate.**
- **Measure twice, cut once. Before undertaking any decision, make sure the numbers are correct.**
- **Plan, plan, and plan. You need to know where you want to go in the future.**
- **Always be prepared. You need to prepare for financial issues that might arise.**
- **Honesty counts. Numbers leave a trail and financial fraud is one of the most damaging crimes for sport organizations.**

What Is Sport Finance?

Give an example of how accounting, economics, and finance can intersect or overlap.

What Sport Finance Entails

- How to determine the value of various decisions
- How to appropriately allocate resources to meet organizational demands or goals
- How to effectively manage resources, whether buying, retaining, or selling them
- How to invest any additional resources

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What Sport Finance Entails *(continued)*

- **How to leverage the relationship between time, money, and risk**
- **How to leverage cash- and credit-related opportunities and constraints**
- **How a sport organization can make sound decisions for the present or future that will not cause harm to the organization and its stakeholders, with the best scenario being that it generates a profit to help the organization grow whether it is a nonprofit or a for-profit organization**

Retail Carnage

- **What do you think The Sports Authority (TSA) could have done to avoid bankruptcy?**
- **Should TSA have seen the signs?**
- **What do you think is the future of the retail industry?**
- **What can the retail industry do to change its future financial hurdles?**

Sport Finance Affects an Entire Sport Organization

- **Using the soccer team example from the text:**
  - **If you were managing the soccer team, would you think the 47,500 ticket sales level is realistic (compared with the very positive best-case scenario of 60,000 tickets sold)?**
  - **What additional information would you need to make this decision?**

Class Discussion Topics

1. **If you had to change your financial situation, what would you change and how would you change it? Identify a specific plan.**
2. **What does sport finance mean to you?**
3. **How comfortable do you feel make sport finance-based decisions and what information would you need to make such decisions?**
4. **What do you think The Sports Authority could have done to possibly stave off bankruptcy?**

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Class Discussion Topics *(continued)*

5. **Examine the implications of TSA's bankruptcy and what impact it might have had on others in the sport industry. Take a close look at how TSA's bankruptcy specifically impacted sport apparel companies such as Under Armour? What should Under Armour have done to protect themselves from financial circumstances out of their control?**
6. **Research a publicly traded sport business and examine what it has accomplished in the past year and what its future plans are based on online chatter by analysts. If you had $10,000 to invest in shares related to that company, would you buy? Why or why not? Use only the information you currently know about sport finance. At the end of the class, after you have acquired a stronger financial background, you can revisit your analysis to see if your decision has changed.**